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CENTRAL INTELLIGENCE AGENCY

REPORT

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1. Following the elections held in May 1950, the country's economic problems came under the control of the Ministry of Foreign Commerce and the Ministry of Collection (of taxes in kind); the Minister for this latter arm of the government is Lefter Gogo.
2. The Ministry of Collection has two branches, one for the collection of farm products paid as taxes in kind, and the other for their distribution. The Branch for Collection has a Directorate of Collection in each province.
3. In order to determine the annual State budget, the various ministries submit their requests to the Accounting Section of the Ministry of Finance, which then estimates the amount of money to be allocated for communications, irrigation, industry, drainage, construction and other projects. The budget itself is finally drawn up by the Politburo in cooperation with the Central Committee of the Communist Party.
4. The State Bank of Albania applies the currency policy of the government, which consists of maintaining prices at the level which existed a year ago. The application of this policy is pursued in three ways:
 - a. Strict control of the circulation of the currency.
 - b. Application of a system of barter with the other satellite states.
 - c. Strict prohibition of the circulation of foreign currency.*

This policy is helped by the heavy taxation in money, the low wages, etc.
5. The exchange of foreign currency in terms of lek at the State Bank is as follows:

1 dollar	50 lek**
1 ruble	9 lek**
10 Italian lire	1 lek
1 Serb dinar	1 lek

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1 sovereign	350-450 lek
1 napoleon	400 lek.

In the black market, however, the napoleon sometimes reaches 2,000 to 2,500 lek, and the gold sovereign 3,000 lek. The discovery of such black market dealing in gold coins brings very heavy penalties.

6. The goods situation in Albania continues to be desperate, and is exemplified by such symptoms as scarcity of essential articles, irregular distributions of rationed foodstuffs, reduction of amounts distributed by the State, and constantly increasing misery. There has been no distribution of rationed soap for the past three months; frequently there is no macaroni, and beans are distributed as a substitute.
7. Considerable resentment is felt by the Albanian population at the report that, in spite of the severe economic and food crisis through which Albania was passing, the USSR had refused to grant her a loan of two billion lek.
8. Prices on the black market are as follows:

Bread	150 lek per kilogram
Macaroni	80 lek per kilogram
Sugar	250 lek per kilogram
Olive oil	400 lek per kilogram
Meat	160 lek per kilogram
Eggs	9-10 lek each
Butter	700 lek per kilogram
Pair of stockings	300 lek
Shirt	1,700 lek each
Suiting	4,000 lek per meter
Shoes	2,500 lek per pair

These prices are not stable but go up or down according to the supply and demand.

9. Additional heavy taxes are being continually imposed, and the people are unable to pay them. The State is compelled to try to cope with the critical economic problem by increasing the salaries of government employees and especially the pay of the soldiers who form the sole support of the regime; to pay for this, the government is contemplating imposing new and heavier taxes, although the decision had not yet been announced by date of report. Since the new taxes chiefly affect the farmers, there is some thought that taxation in kind should be limited on farm products, so that the farmers will be able to pay the new money taxes.
10. Fields are classified into four categories, but the classification is faulty and is based on inaccurate estimates of the productivity of the land. Each farmer is compelled to pay taxes as follows:

Grain: Category A	50-75 (sic - lek?)
Category B	35-50
Category C	20-28
Category D	8-10

Rice: Category A, B, C, D 110

Sunflower seed: Category A, B, C, D 120

Cotton: Category A	40
Category B	30
Category C	20
Category D	—

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The quantity of products not produced directly from the soil, but which must be turned over to the government, remains the same for all categories of land. For each streama of land the farmer must pay 10 to 15 eggs, 3.5 to 4.5 kilograms of meat, approximately 100 grams of butter, and 200 to 400 grams of wool.

11. If a farmer does not have the quantity of products assessed against his farm, he must pay the equivalent in money or go to jail and have all of his property confiscated by the State. The purpose of this measure is to deprive the farmers of their land and to force them into collective farms.
12. In addition, the farmer is compelled to pay a tax in money which is calculated as a percentage of the total market value of his crops.
13. Farmers having less than 10 to 20 head of sheep and/or goats (the number depending upon the locality) are not obliged to pay taxes on them. If they have more than this number, however, they pay in one annual installment 800 grams of wool and 5 to 6 kilograms of meat per head of cattle in their possession. As rent for winter pasture they pay about 7 kilograms of milk per head, turning this over to the cheese factories. The rest of the milk has to be sold to the cheese factories at 10 lek per kilogram.
14. All agricultural products are purchased by the State at very low prices:

Maise	2 lek per kilogram
Wheat	2.50-3 lek per kilogram
Eggs	1 lek each
Butter	60-70 lek per kilogram
Meat	10 lek per kilogram
Wool	30-40 lek per kilogram
Beans	5-7 lek per kilogram
Milk	10 lek per kilogram
Sunflower Seed	5-6 lek per kilogram

15. During 1950 the taxes were not collected in installments, but the entire amount was demanded at one time. Because of the poor production this year, the farmers were greatly distressed by this measure.

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17. In addition to the propaganda in favor of the Kolkhoz and the great benefits to be derived from the system of collective farms, the grants of money made by the government to the Kolkhozes and the reduction of taxation on them (amounting to about 40 percent, as well as the furnishing of farm machinery), constitute a strong inducement for farmers to enter the collectives. In spite of all this, the farmers are slow to change, and the collectivization has made little progress this year. According to one report, only 5 percent of the total farm population has joined the collective farms. Such farms are to be found only in the plains around the urban centers.

* Comment: Presumably circulation in any direction other than toward special government stores

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** Comment: At first glance it may be surprising to see that the State Bank of Albania does not maintain the ratio of the ruble to the dollar officially fixed in Moscow at 4 to 1, when there is doubtless a Soviet "adviser" stationed in the State Bank of Albania. It is suggested that this is one of the ways in which the USSR obtains dollars cheaply, satisfying the Albanians by ostensibly paying a small premium in leks.

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The Albanian Government has little use for dollars, except to buy other foreign exchange, since Albanian commerce with the United States and Canada is practically non-existent. The Soviet offer to take a loss on rubles in order to acquire dollars cheaply doubtless proves quite satisfactory to both parties.

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